

*Testimony of*  
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***Review of the Farm Bill***  
**House Agriculture Committee**  
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Mr. Chairman, I would like to extend my thanks to you and the Committee for the invitation to testify here today. I am D.C. Coston, Associate Director of the Agricultural Experiment Station at Oklahoma State University. I am here representing the National Association of State Universities and Land Grant Colleges (NASULGC). Founded in 1887, NASULGC is the nation's oldest higher education association. A voluntary association of public universities, land-grant institutions and many of the nation's public university systems, NASULGC campuses are located in all 50 states, the U.S. territories and the District of Columbia. As of October 2000, the association's membership stood at 212 institutions. This includes 75 land-grant universities (of which 17 are the historically black public institutions created by the Second Morrill Act of 1890) and 28 public higher education systems. In addition, tribal colleges became land-grant institutions in 1994 and 30 are represented in NASULGC through the membership of the American Indian Higher Education Consortium (AIHEC).

I would like to speak to you today about the role of value added agriculture in revitalizing rural communities; my experience at Oklahoma State University's Agricultural Experiment Station in designing and implementing value added agriculture programs; and how federal dollars invested in value added agriculture can be an effective and appropriate tool for stimulating rural entrepreneurship.

Broadly speaking, value added agriculture helps rural economies in three critical ways: by increasing the farmer's share of the agricultural profit dollar; by tapping into a sector of the agricultural market where technology can provide U.S. producers a competitive advantage in the global marketplace; and by creating, attracting, retaining, and expanding jobs in rural areas. Value added markets exist *and* producers exist, the challenge is creating and implementing the means to connect them. This is what increased funding in the Value Added Grants Program as proposed in the Chairman's Farm Bill Concept Paper can do.

At Oklahoma State University, we operate the Oklahoma Food and Agriculture Products Research and Technology Center, where our mission is to generate and disseminate technical and business information that will stimulate and support the growth of value added food and agricultural products processing in Oklahoma. The Center provides two key services in connecting producers with markets. The first is interdisciplinary research into agriculture-based products, not only traditional research into food technology, but

also into business structures and consumer patterns that can help producers and processors anticipate demand and meet it efficiently. Second, our education and outreach activities to producers, processors, consumers, state and local government agencies, chambers of commerce, and trade associations act as a catalyst to developing new economic partnerships among them. One outstanding success is from Mr. Lucas' District:

Alva, in northwest Oklahoma, is in the heart of the hard red winter wheat belt. Community leaders and wheat producers were searching for opportunities to bolster their economy and discussion turned to adding value to the bountiful wheat crop. One of Oklahoma State's County Extension Directors was meeting with this group and offered to introduce them to the Food and Agricultural Products Center. Several staff became engaged in this endeavor, which led to the formation of a producer-owned cooperative, Value Added Products (VAP). The group was seeking to enter a market with limited competition and the potential for good profits. Staff in the Food and Agricultural Products Center helped the group identify pre-proofed frozen dough products as just such an opportunity. Our staff helped them find processing equipment manufacturers and to develop recipes that would produce high quality products from hard red winter wheat. Armed with product and marketing information, along with a sound business plan that our staff helped prepare, cooperative leaders began the process of securing additional members. Over 700 members joined the cooperative and invested over \$7.5 million in equity. This helped secure an additional \$7.5 million in loan commitments. The funds raised were used toward the purchase and renovation of an old retail building in Alva and the construction of an assembly line. Today, five semi-truck loads of frozen pizza crusts are leaving the plant daily for customers, the bulk of whom are pizza manufacturers on the East Coast. Customers are coming to VAP with suggestions for innovations for improved and new products. The Food and Agricultural Products Center is working with VAP leaders to develop and test such products. Products that are competitive are in the marketplace, farmers are now enjoying profits from value added to their wheat, and good jobs have been created in a rural area of our state.

In four years of operation, the Center has served over 370 Oklahoma firms including over 70 that are new startups. A large proportion of these is in rural areas and helps to provide diversity into those communities' economies and jobs for local citizens. Our experience at the Center thus far has developed and honed our skills as a research and education community, preparing us for the next frontier in value added agriculture, biobased energy, materials, and industrial chemical building blocks.

On the national scene, Oklahoma State University has entered into a consortium of land grant colleges including Iowa State University, Kansas State University, and the University of California to pool our resources and expertise in value-added agriculture in service to rural communities across the country. Aided by a newly-awarded USDA grant, our collaboration will create the Agricultural Marketing Resource Center (AMRC), housed at Iowa State University, to help independent producers and processors succeed in developing value added agriculture opportunities by enhancing their decision-making capacities. Our consortium is a strategic one. Agriculture in these states represents a

great diversity of agronomic conditions and a vast array of commodities. More than one-fourth of the nation's cash receipts from agricultural sales comes from California, Iowa, Kansas, and Oklahoma.

The AMRC will create an infrastructure to help U.S. producers re-align with markets for agricultural products by:

- Creating an electronic, web-based library with powerful search capabilities to disseminate information and resources useful to agricultural producers and processors interested in value added activities. Individual producers and processors with similar interests will be encouraged to connect by establishing and maintaining web-based communities and will ultimately form economic alliances, partnerships and symbiotic relationships.
- Coordinating research and outreach support systems, including training and instructional materials for producers wishing to enter into value-added activities.
- Coordinating and focus *ing* new research and outreach needed to take agriculture to the next level, utilizing managed supply chains and electronic commerce. Resources to organize value-added enterprises and research including case studies and commodity specific information will be delivered through direct contact and assistance to producers groups as well as through an electronic curriculum library.

Our partnership will draw on the University of California and Kansas State University to provide expertise in research and outreach and commodity specific content; Iowa State University for administrative leadership, content specialists, and the development of resources in managed supply chains and electronic commerce; and Oklahoma State University for specialized services in food and value added processing. The AMRC project is an excellent example of how federal funding can help catalyze collaboration among the nation's leading economists, business strategists, food scientists and engineers, and outreach specialists to find new opportunities for agriculture and rural America.

Mr. Chairman, thank you for the opportunity to testify here today. I have attempted to demonstrate in real terms how value added agriculture programs can help to mobilize communities in rural America. I also want to thank the Chairman and this committee for the leadership and commitment you've shown to research, extension, and education that supports the U.S. food, agriculture and natural resource system. We support your efforts to promote value added agriculture and look forward to working with the Committee and its staff to provide any additional information that is needed.